

**STATE OF DELAWARE**  
**OFFICE OF**  
**AUDITOR OF ACCOUNTS**

**ACADEMY OF DOVER**  
**CAFETERIA DEPOSITS**  
**AUGUST 2005 THROUGH JUNE 2006**  
**SPECIAL INVESTIGATION**

**FIELDWORK END DATE: FEBRUARY 12, 2007**

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# EXECUTIVE SUMMARY

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## **ALLEGATION**

While conducting the Fiscal Year 2006 (FY06) financial statement audit for Academy of Dover Charter School (the School), staff of the Office of Auditor of Accounts (AOA) discovered that funds received from students for sales of cafeteria items were not deposited during August and October 2005. Review of subsequent months did not reveal large deposits, indicating possible misappropriation of assets.

## **BACKGROUND**

The School encompasses grades Kindergarten through sixth and was authorized to enroll 525 students during FY06; actual enrollment at September 30, 2005 was 386.

The School maintains a cafeteria bank account with Wilmington Trust Company. This account is used to deposit funds received from students for sales of cafeteria items. The State of Delaware *Budget and Accounting Manual* states, "All monies which belong to the State are to be deposited on the day of receipt to the credit of the State Treasurer in the designated depository of the State's funds with the exception of those funds received after the close of normal banking hours or when an agency receives less than \$100 in daily receipts, shall make a deposit when the accumulated un-deposited receipts exceed \$100 or on a weekly basis, whichever occurs first."

## **CONCLUSIONS AND OBSERVATIONS**

Per review of the School's cafeteria receipts activity from August 2005 through June 2006, the following conclusions were reached:

- The School does not have written policies and procedures related to (a) collecting and depositing cafeteria receipts, (b) reporting cafeteria activity, and (c) general controls such as segregation of duties, reconciliations, and management review.
- The School did not maintain sufficient supporting documentation for cafeteria sales. School officials indicated that supporting documentation, which included register receipts and homeroom order forms, was accidentally discarded during the summer 2006 cleaning of the School. The only evidence to substantiate deposits were handwritten notes maintained by a cafeteria employee.
- Per the cafeteria account bank statements, there were 190 deposits totaling \$24,366.30. Per the handwritten notes maintained by the cafeteria employee, sales totaled \$24,388.53.
- Three deposits totaling \$247.30 were made on the day of receipt. Remaining deposits were not made timely, detailed as follows:
  - 150 deposits totaling \$18,989.57 were held at the School between 2 to 15 days;
  - 22 deposits totaling \$3,483.60 were held at the School between 16 to 30 days;

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# EXECUTIVE SUMMARY

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- 13 deposits totaling \$1,425.83 were held at the School for more than 30 days;
  - The timeliness of 2 deposits totaling \$220.00 could not be determined.
- The School's *Bi-Annual Financial Report for School Lunch, Breakfast, Snack Program* was not prepared accurately or timely.
  - The School did not adhere to Department of Education (DOE) instructions and guidelines;
  - Reported information could not be traced to supporting documentation;
  - Opening cash did not equal the prior period's ending cash;
  - The report included a negative \$24,324.80 as *Other Cash Income*. This amount could not be substantiated;
  - The Federal Reimbursement amount of \$135,337.37 did not agree to reimbursement claims received of \$110,744.67;
  - The reporting period was for a full year instead of six months; and
  - The report was filed one month late on August 31, 2006.

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# Audit Authority

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Title 29, Del. C. c. 29 authorizes the Auditor of Accounts to file written reports containing:

1. Whether all expenditures have been for the purpose authorized in the appropriations;
2. Whether all receipts have been accounted for and paid into the State Treasury as required by law;
3. All illegal and unbusinesslike practices;
4. Recommendations for greater simplicity, accuracy, efficiency and economy; and
5. Such data, information, and recommendations as the Auditor of Accounts may deem advisable and necessary.

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# ALLEGATION AND BACKGROUND

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## **ALLEGATION**

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# OBJECTIVES, SCOPE, & METHODOLOGY

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## **OBJECTIVES**

The objective of the investigation was to determine whether cafeteria funds were properly deposited to the credit of the School.

## **SCOPE**

AOA reviewed 100 percent of cafeteria sales activity for the period of August 2005 through June 2006.

The investigation was performed in accordance with the President's Council on Integrity and Efficiency, *Quality Standards for Investigations*.

## **METHODOLOGY**

Investigative techniques included:

- Interviews and inquiry
- Inspection and confirmation of documentation

The investigation consisted of the following procedures:

- Interviewed School officials and employees to determine their understanding of policies and procedures, both internal and Statewide policies, related to cafeteria funds; and to determine if these policies were followed.
- Reviewed bank statements, deposit slips, bi-annual reports, and sales books.

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# CONCLUSIONS

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  - The School did not adhere to Department of Education (DOE) instructions and guidelines;
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# FINDINGS AND RECOMMENDATIONS

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## **FINDING**

Academy of Dover Charter School's internal control is insufficient to meet the achievement of objectives in the following categories: effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

The State of Delaware *Budget and Accounting Manual* states that department or agency heads are responsible for establishing and maintaining an effective system of internal control.

Lack of knowledge of State laws, regulations, and guidelines, as well as a weak internal control structure resulted in non-compliance with State laws, regulations, and guidelines, and increased risk of misappropriation of assets.

## **RECOMMENDATIONS**

The School obtain training for the Board, management, and others tasked with financial responsibility. The training should include the State's financial system, State rules and regulations, internal controls, and generally accepted accounting principles.

The School maintain accurate accounting records in order to facilitate and ensure the accurate and timely preparation of the *Bi-Annual Financial Report for School Lunch, Breakfast, Snack Program*. The School meet with the DOE to obtain training regarding preparation of the report.

The School develop and implement detailed, written policies and procedures for cafeteria activity. The policies and procedures should address responsibilities, segregation of duties, proper safeguarding of State assets, timely deposits, reconciliation, management review, and reporting. Policies should include:

- The identification of positions/individuals who (a) maintain the record of accounts, (b) authorize transactions, (c) reconcile the accounts, and (d) review the reconciliations;
- How accounts are maintained (accounting software, manual ledgers, etc.);
- Detailed procedures related to revenues, cash receipts and deposits, expenditures and cash disbursements, payroll, and inventory. For cash receipts, this includes the method of documenting cash receipts, custodial duties and responsibilities, physical security requirements, reconciliation procedures, depository procedures, and frequent and unannounced cash counts. For cash disbursements, this includes management/supervisor approval requirements, disbursement guidelines, voiding checks, and investigation of outstanding checks;
- A description of required forms and the authorizations necessary for the forms; and
- Incorporation of all applicable laws and regulations.

## **AUDITEE RESPONSE**

As stated in this report, while conducting the Fiscal Year 2006 (FY06) financial statement audit for Academy of Dover Charter School (the School), staff of the Office of Auditor of Accounts (OAOA) discovered that funds received from students for sales of cafeteria items were not deposited during August

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# FINDINGS AND RECOMMENDATIONS

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and October 2005. Review of subsequent months did not reveal large deposits, indicating possible misappropriation of assets.

Also as stated, the objective of the investigation was to determine whether cafeteria funds were properly deposited to the credit of the School.

The Board of Directors of the Academy of Dover are pleased that no misappropriation of assets were found and that cafeteria funds, although not in a timely manner, were deposited to the credit of the school.

The Board of Directors agrees with the recommendations. The Board members will be undergoing mandated training as scheduled by DOE. The first of the *Bi-Annual Financial Reports for School Lunch, Breakfast, Snack Program* has been correctly submitted on time for the 2006-2007 school year. The school has developed a financial procedures manual that includes written policies and procedures for cafeteria activity.

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# DISTRIBUTION OF REPORT

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Copies of this report have been distributed to the following public officials:

Executive

The Honorable Ruth Ann Minner, Governor, State of Delaware  
The Honorable Valerie A. Woodruff, Secretary, Department of Education

Legislative

The Honorable Russell T. Larson, Controller General, Office of the Controller General

Other Elective Offices

The Honorable Carl C. Danberg, Attorney General, Office of the Attorney General

Other

Ms. Mary Scott, President, Board of Directors, Academy of Dover Charter School  
Mr. Leonard Litzi, Principal, Academy of Dover Charter School